

May 4, 2015

Natural Gas Trends

Highlights

US dry gas production reaches new high

Dry natural gas production in the Lower 48 states reached an all-time high Monday, climbing to 73.8 Bcf/d, according to Bentek Energy data. The conclusion of pipeline maintenance in the Northeast and Southeast, and rising Offshore Gulf output from new projects allowed production to reach a record level over the weekend before climbing another 0.1 Bcf/d Monday.

The previous high was set December 20, 2014 when production reached 73.5 Bcf/d. Production failed to grow during the winter because of pipeline constraints in the Northeast and severe cold impacts on production and pipeline operations. Seasonal maintenance this spring further restricted growth, pushing production as low as 72.1 Bcf/d on April 22, which was 0.7 Bcf/d less than a prior seven-day average.

Algonquin Gas Transmission began pigging operations April 21, reducing pipeline flows by 0.6 Bcf/d and causing a drop in production receipts on interconnected pipelines, including Tennessee Gas Pipeline and Stagecoach Pipeline. The Algonquin maintenance concluded Saturday and allowed receipts on Tennessee Gas and Stagecoach in north-eastern Pennsylvania to climb 326 MMcf/d and 235 MMcf/d, respectively, above the April 22 lows.

In the southern portion of Pennsylvania, Texas Eastern Transmission receipts from M2 Midstream's Appalachia Gathering System increased to a weekend average of 417 MMcf/d after averaging 204 MMcf/d over the past nine days. The jump indicates the gathering system could have been performing maintenance over the previous week-and-a-half.

Texas Eastern receipts from the Majorsville processing plant in West Virginia also increased to new highs in Monday's evening cycle. Off-shore Gulf of Mexico production has increased more than 1.0 Bcf/d from lows in early April and half of those gains have occurred since April 22. Offshore production has averaged 4.2 Bcf/d since Saturday, with output rising on Discovery, Garden Banks and Sea Robin, all off-shore Louisiana.

Garden Banks' Auger and Enchilada platforms have now almost fully recovered to pre-maintenance levels since going down for the majority of March. Production from those platforms jumped to a combined 248 MMcf/d over the weekend, which was 138 MMcf/d more than the prior 30-day average.

Discovery also made additional gains over the weekend, jumping to 587 MMcf/d, or 360 MMcf/d more than the previous 30-day average. The increase on Discovery is likely being driven by flows from the Lucius and Hadrian South offshore facilities.

Sea Robin Pipeline also completed four days of maintenance on the Patterson Liquid Handling facility April 25. That work allowed production on Sea Robin to climb 138 MMcf/d over the weekend.

Despite these production gains, production is unlikely to remain elevated for long. Transcontinental Gas Pipe Line will begin maintenance May 1 on its Leidy Line as part of its Southeast Leidy Expansion, shutting in at least 0.3 Bcf/d and potential up to 0.8 Bcf/d for 43 days.

The loss of this transportation capacity in the Northeast is expected to bring production down from all-time highs until Rockies Express Pipeline's 1.2 Bcf/d Zone 3 East to West project commences full service on June 1.

However, the recent rebound in offshore Gulf production could continue to support growth in the region, potentially keeping total US dry gas output near 73 Bcf/d in May, according to Bentek's CellCast projections.

Source: Platts Gas Daily

Data

- June 2015 Natural Gas Futures Contract (as of May 1), NYMEX at Henry Hub closed at \$2.776 per million British thermal units (MMBtu)
- June 2015 Light, Sweet Crude Oil Futures Contract WTI (as of May 1), closed at \$59.15 per U.S. oil barrel (Bbl.) or approximately \$10.20 per MMBtu

Last week: Texas cooler than normal last week

For the week beginning 4/26/15 and ending 5/2/15, cooling degree days (CDD) were lower than normal (cooler) on average for the week and lower than normal (cooler) for the year to date for most Texas cities shown.

Source: www.cpc.ncep.noaa.gov

COOLING DEGREE DAYS (CDD)				
City or Region	Total CDD for week ending 5/2/15	*Week CDD +/- from normal	Year-to-date total CDD	* YTD % +/- from normal
Amarillo	5	-2	27	-999%
Austin	21	-28	209	-15%
DFW	14	-18	131	28%
El Paso	20	-11	149	-999%
Houston	32	-18	326	25%
SAT	33	-20	292	8%
Texas**	30	-9	239	7%
U.S.**	11	-1	80	-999%

* A minus (-) value is cooler than normal; a plus (+) value is warmer than normal. NOAA uses 65° Fahrenheit as the 'normal' basis from which CDDs are calculated.
** State and U.S. degree days are population-weighted by NOAA.

-999 = Normal Less Than 100 or Ratio Incalculable

Last week: U.S. natural gas storage at 1,710 Bcf

For the week ending 4/24/2015 working gas in storage increased from 1,629 Bcf to 1,710 Bcf. This represents an increase of 81 Bcf from the previous week. Stocks were 741 Bcf higher than last year at this time and 75 Bcf below the 5 year average of 1,785 Bcf.

Source: <http://ir.eia.gov/ngs/ngs.html>

U.S. WORKING GAS IN STORAGE				
Region	Week ending 4/24/15	Prior week	One-week change	Current Δ from 5-YR Average (%)
East	597	560	37	-20.7%
West	361	357	4	25.3%
Producing	752	712	40	0.9%
Lower 48 Total	1,710	1,629	81	-4.2%

Lower 48 states, underground storage, units in billion cubic feet (Bcf)

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Last week: U.S. gas rig count down for the week

The gas rig count for the U.S. was down three for the week and down 101 when compared to twelve months ago. The total rig count for the U.S. was down 27 from last week and down 949 when compared to twelve months ago. The total rig count includes both oil and natural gas rotary rigs.

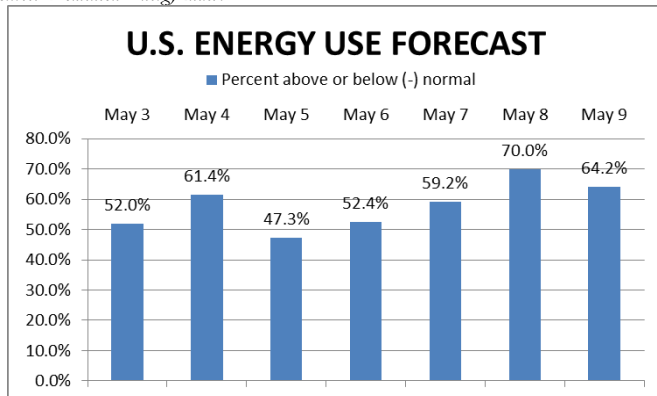
Source: Baker Hughes

BAKER HUGHES ROTARY RIG COUNT				
	As of 5/1/2015	+/- prior week	Year ago	+/- year ago
Texas	380	-13	892	-512
U.S. gas	222	-3	323	-101
U.S. oil	679	-24	1527	-848
U.S. total	905	-27	1854	-949
Canada	79	0	163	-84

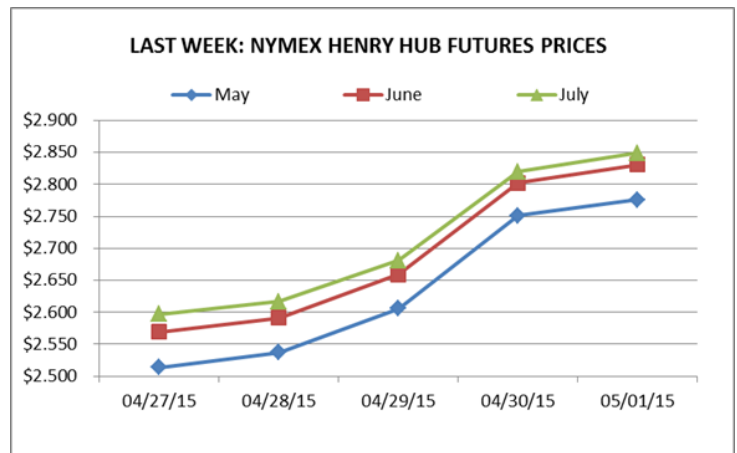
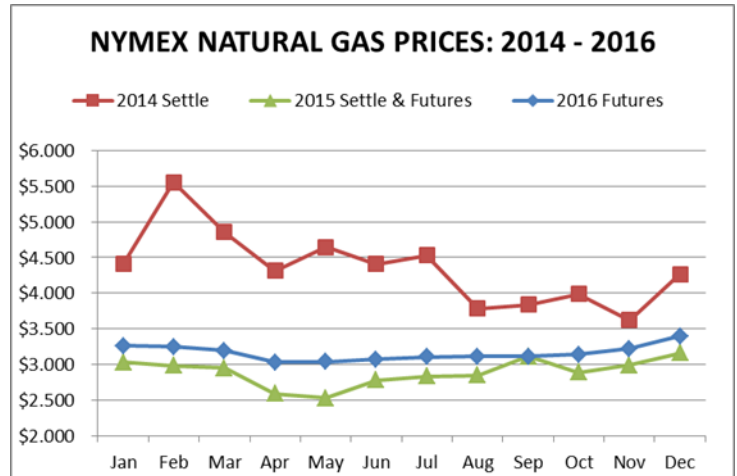
This week: U.S. energy above average this week

U.S. energy use is predicted to be above average this week, according to the Dominion Energy Index, as shown below. Dominion forecasts total U.S. residential energy usage, a component of which is natural gas.

Source: Dominion Energy Index



2015 prices. Natural gas prices for 2015, shown below in green, are the NYMEX settlement prices for Jan.-May and futures prices for the remainder of the year.



NATURAL GAS PRICE SUMMARY AS OF 5/1/2015

This Week	+/- Last Week	+/- Last Year	12-Month Strip Avg.
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US June futures

NYMEX	\$2.776	\$0.245	-\$2.079	\$2.891
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